

EMERGENCY INCOME TAX RULE NO. 2003-4

Treatment of Employee Contributions to Employment-related Retirement Plans

Pursuant to the authority vested in the Director of the Arkansas Department of Finance and Administration and the Arkansas Commissioner of Revenue pursuant to the provisions of Ark. Code Ann. §26-18-301 and in compliance with the provisions of Ark. Code Ann. §§ 25-15-201 *et. seq.*, the Director of the Department of Finance and Administration and the Arkansas Commissioner of Revenue hereby promulgates the following rule for the administration of the Arkansas individual income tax:

1. For tax years beginning January 1, 2003, and thereafter, individual recipients of benefits from a public or private employment-related retirement system, plan or program shall be allowed to deduct or recover their cost of contribution in the plan when computing income for state income tax purposes.
2. The deduction allowed for Arkansas state income tax purposes for cost of contribution for each tax year shall be the same amount as allowed as a deduction for cost of contribution for federal income tax purposes for the same tax year pursuant to Internal Revenue Code Section 72 as in effect on July 1, 2003.
3. The recovery of cost of contribution for state income taxes shall be available only for individual taxpayers who have unrecovered cost in their plan equal to or exceeding the allowable deduction in Paragraphs 1 and 2 of this rule.
4. Nothing in this rule shall be deemed to limit an individual taxpayer's entitlement to any other deduction or exemption allowed by state law with regard to benefits received from public or private employment-related retirement systems, plans, or programs.
5. This rule is hereby promulgated as an emergency rule pursuant to the provisions of Ark. Code Ann. § 25-15-204 and shall be effective on and after the date this rule is approved by the Director of the Arkansas Department of Finance and Administration and the Arkansas Commissioner of Revenue.

Promulgated this 29th day of August, 2003.

Original signed by Richard A. Weiss
on August 29, 2003

Original signed by Tim Leathers
on August 29, 2003

Richard A. Weiss, Director
Arkansas Department of Finance & Administration

Tim Leathers
Arkansas Commissioner of Revenue